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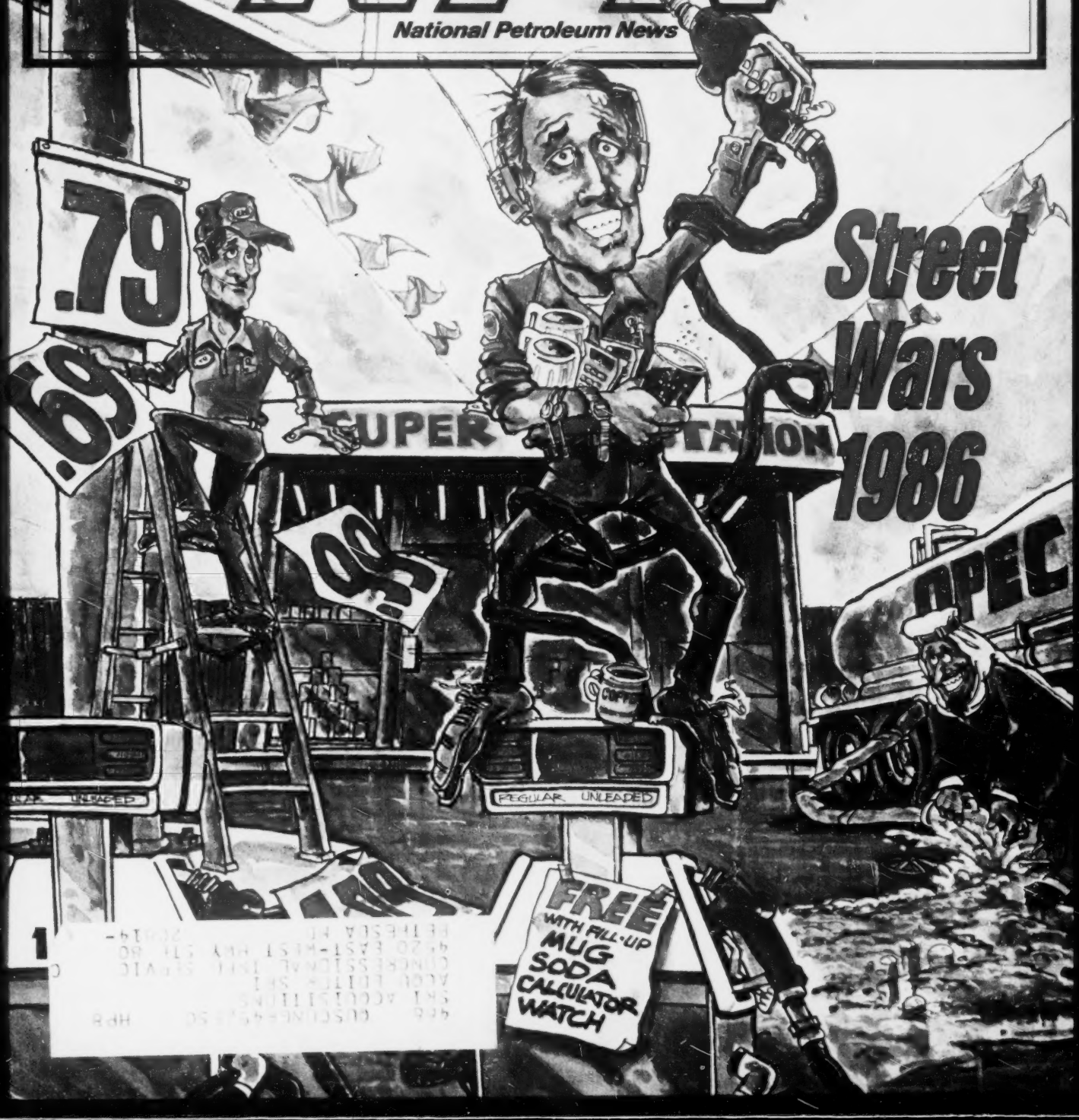
April 1986 $4.50

Chevron, Texaco Retain Market Lead
Why Texas Jobber Likes LP Gas
Software Catches Up With Jobber Needs

NPN
National Petroleum News



Street Wars 1986

NATIONAL PETROLEUM NEWS

APRIL 1986 VOL. 78 NO. 4

16 Regional News

16 **Midwest**
Iowa 'gas' excise raised 3¢; state-line jobbers cry foul

17 **South**
Slack economy, keen competition erode margins in oil patch states

18 **West**
The Russians are coming! Two cargoes of gasoline land in West

22 **East**
Burkhardt farewell bash to be 'party to end all parties'

27 General News

27 Chevron, Texaco maintain grip on top gasoline marketing spots
29 Major oil vs. Detroit over fuel volatility
29 Pennzoil case to dog Texaco for two years?
30 Top Sohio executives ousted after return of 'Standard Oil'
30 Amoco rejects station offer, dealer loses PMPA suit
30 PMAA chooses Boston for oil heat meeting
30 President Reagan again makes push for subminimum wage
32 Jobbers, dealers stake overcharge cash
32 Refinery closings slow, net loss 'insignificant'
34 EPA says third of tanks in U.S. may be leaking
34 Fluids blender cited over false claims
34 Marathon settles oil overcharge case
34 Half of states eye 'below-cost' laws
34 POS group opposes cap on card charges

36 Features

36 **Cover Report**
Street Wars: 1986

42 Oil marketers of all stripes now dusting off promotional guns

48 **Operations & Equipment**
Computer software finally catches up with jobber needs

52 **Diversification**
Peeler finds propane is just the ticket to ensure success

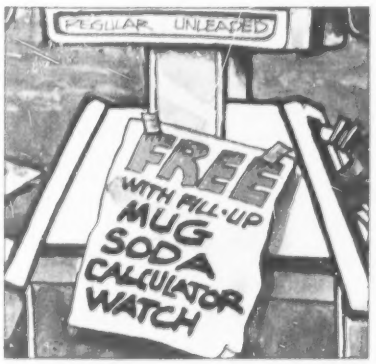
72 **Legal—Sam Borenkind**
Commission agent not covered by PMPA

73 **Tax—Irving Blackman**
If unincorporated, Schedule C is an audit flag

Departments

74 About Oil People
9 Ahead of the News
58 C-store Briefs
11 Catching Up
77 Classified
26 Coming Meetings
10 Late News
5 Looking Things Over
12 Marketplace
56 O&E Briefs
69 New Literature
50 News Notes
60 Product Showcase
56 TBA Briefs
12 Trends
34 Washington Report

With prices continuing their nosedive, this spring and summer could go down as one of the wildest in recent memory for U.S. refiners and marketers. Many are looking for a no-holds-barred scramble for gallons, and margins could take a beating. **Page 36**



Whether a direct result of falling prices or not, retail promotions and giveaways are back and some say bigger than ever. Here's what some marketers that have jumped on the bandwagon have to say about promotions. **Page 42**

Out where the West Texas winds drive tumbleweeds and the oil economy has fallen flat, jobber Ken Peeler has built his business on motor fuels and propane, an ace few jobbers have tucked up their sleeves. **Page 52**

• TRENDS

Is the Lead Phasedown On Track? Don't Ask EPA

The federal lead phasedown program, aimed at reducing the amount of tetraethyl lead in leaded gasoline to a minuscule 0.1 grams/gal., may or may not be on schedule. The EPA doesn't seem to know, and nobody else could.

The problem is that the Environmental Protection Agency is swamped by paper submitted by blenders claiming lead credits. Prior to the phasedown program, there were about 250 reporting refiners and blenders in the country. When EPA lost count last year, there were reportedly more than 900 and the number was growing.

Except for the first quarter of 1985, EPA has not issued any reports, not even tentative or preliminary, on how much lead was being banked by refiners and blenders. This is a crucial number because it is the key to how much lead will eventually get into gasoline.

The essence of the phasedown program was to accomplish its lead reduction without forcing some small or low-technology refiners out of business. To do this, the phasedown period was spread out to 2½ years by means of a clever and imaginative system of lead credit banking.

EPA allowed any refiner or blender which used less than the allowed amount of lead in 1985 to save the difference and use it in 1986 and 1987. Lead credits could be sold or traded, too, giving some small independents a chance to obtain needed lead until they could upgrade their refineries.

The permissible limits were 1.1 grams lead in leaded gasoline during the first half of 1985, 0.5 gram in the second half, and 0.1 gram in 1986 and 1987. Credits could be used until the end of 1987, but not thereafter.

The theory of lead banking was that the amount of lead emitted to the environment by gasoline would be the same whether the phasedown was ordered immediately or spread out over a period of 2½ years. Refiners and blenders were required to report how much lead credit they were claiming.

A hitch was that any gasoline marketer who blended alcohol into his leaded gasoline so as to lower its lead content below the permissible limit generated lead credits. This, and perhaps other factors, brought new blenders out of the woodwork.

An EPA source says much of the paperwork sent in by the new blenders had to be sent back. As of the first quarter of 1986, EPA claimed not to have any reportable information on the size of the lead bank after the first quarter of 1985.

Obviously, if an excess of lead credits was being claimed, the amount of lead getting into the environment would be greater than EPA planned. Hopefully, this would be found out in time to prevent it.

As the program unfolded after March 1985, it turned out that refiners immediately began to build lead credits, which means they were using less lead than the limit allowed. This was a plus for the program because it hastened the removal of lead from the environment.

EPA estimated refiners and blenders were using an average of 0.7 g/gal. in the first quarter of 1985, a saving of 0.4 g/gal. below the permitted federal level of 1.1 g/gal. This removed 3.6 billion grams of lead from the environment ahead of time.

Based on the apparent logic of such reductions, *NPN* estimates the average reduction was to 0.6 g/gal. in the second quarter and 0.3 g/gal. the remainder of the year. On this basis, the amount of lead bank was 12.1 billion grams going into the final phasedown period in 1986.

If this amount of bank were used up evenly over the 24 remaining months, it would add about 0.2 g/gal. to the permitted 0.1 g/gal., for a total of 0.3 g/gal. But—and this is an important but—if the amount of lead credits being claimed by refiners and blenders was inflated by incorrect calculations, misunderstanding of the rules, or any other reason, the national objectives of the lead phasedown program would not be met.

Evidently, this quagmire came to the attention of Congressman John Dingell (D-Mich.), chairman of the subcommittee on oversight and investigations, who called for an investigation by the Government Accounting Office. One of the things he wanted to know was whether EPA had lost control of the program. He also wanted to know whether existent or nonexistent lead credits were being used to gain an unfair competitive advantage.

The GAO group planned to make a report to the subcommittee by the end of May. Presumably they or Rep. Dingell or the subcommittee would decide whether the lead phasedown program is off the track and, if so, how it might be set right again.

—Mark Emond

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

JANUARY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.109	$1.107	$1.194	$1.336
Regions:				
Northeast	1.232	1.151	1.220	1.350
North Central	1.191	1.123	1.204	1.354
South	1.173	1.091	1.176	1.318
West	1.177	1.086	1.184	1.333

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	2/28/86	3/1/85
Gasoline (total)	244,485	227,278
Gasoline (Unleaded)*	125,806	107,092
Jet Kerosine	36,139	34,755
Distillates	114,581	123,402
Residual	41,859	47,079

**Included in gasoline total.*
Source: American Petroleum Institute.

NPN

NATIONAL PETROLEUM NEWS APRIL 1986

Chevron, Texaco Maintain Grip On Top Gasoline Marketing Spots

Even though they lost some gallonage in the process of complying with government-mandated spinoffs of selected downstream operations, Chevron and Texaco continued to dominate gasoline marketing in 1985.

Preliminary volume data compiled by *NPN* shows that the two companies held on to their top positions for the second year in a row while Exxon pulled in third, also for the second consecutive year.

Chevron and Texaco exploded from the ranks in 1984 on the basis of their acquisitions of Gulf Oil and Getty Oil respectively [*NPN*—June '85, p27].

It had been expected, however, that Federal Trade Commission requirements to divest themselves of substantial marketing facilities would also cost them significant gasoline volumes in 1985—perhaps enough to make their reigns as the industry's leaders short-lived.

The spinoff processes moved more slowly than anticipated so the gallonage losses in 1985 were not that severe. They may have a more telling impact on the 1986 statistics, though. That remains to be seen.

Chevron sold thousands of service stations and terminal facilities in the Southeast to Standard Oil Co. of Ohio in the spring of 1985. It also sold another big block of stations in the Northeast to Cumberland Farms, a C-store chain, in the fall of 1985 but these marketing assets are not scheduled to be closed out until this spring. Chevron and Cumberland also have negotiated an evergreen contract on supplies so Chevron's volume losses may not be that severe in this exchange after all.

Texaco has disposed of the Getty marketing facilities in the Mid-Continent and the East Coast, the latter to Power Test Corp., which has been renamed Getty Petroleum Co.

Major changes in the 1985 "finishers" in the traditional "gasoline derby" in 1985 included Shell, with an 8% increase in volume, overtaking Amoco; and Mobil, with a 12.7% increase, vaulting ahead of Arco, which began a withdrawal from the East in late summer.

Sohio, on the basis of its acquisition of the Gulf facilities in the Southeast, had a big jump in gallonage, a 35.7% increase which enabled it to zip past Sun and become the eighth biggest marketer.

Despite the sale of thousands of retail outlets to Standard Oil of Ohio, Chevron kept its top spot in gasoline marketing with sales of over 9.7 billion gal. last year.

The volume totals compiled by *NPN* are those given by the oil companies in their annual reports for their gasoline sales in 1985.

Not all of these volumes are strictly motor fuels, however, and some of them have been restated by the various oil companies.

Chevron, for example, said its 1985 total of gasoline is "mostly motor fuel," but that "some av gas" and "some other oil products" are included.

Chevron also revised its gasoline volume for 1984, increasing it from 9.6 billion gal. to 10.3 billion gal. on the basis of a re-evaluation of the Gulf gallonage that was rolled in.

Exxon said its gasoline total included some naphtha.

Other oil companies conceded that the gasoline volumes in their annual reports were not necessarily all true blue motor fuels; that other products sometimes were included for the purpose of simplification of totals.

The *NPN* compilations differ from the Federal Highway Administration totals which are based generally on state-by-state taxable volumes reported by wholesalers and suppliers.

The annual gasoline market used by *NPN* in its market shares is that of the Federal Highway Administration in 1984 and an estimate for 1985 based on the FHA data plus the increase of 1.6% that Energy Information Administration and American Petroleum Institute say took place in 1985.

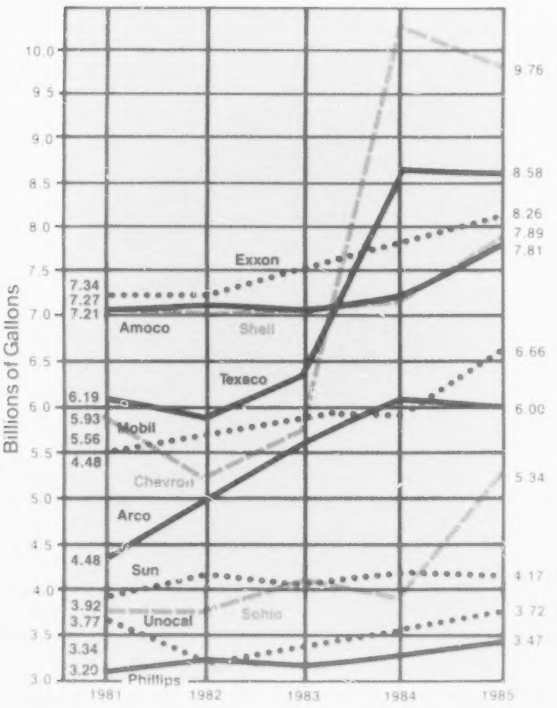
The collapse of the crude oil market in late 1985 was expected to have dramatic impact on gasoline volumes in 1986 as street conditions changed and competition intensified. There were, for example, retail postings of 60¢ to 70¢ gal. for leaded and unleaded gasolines as early as February in some areas of the country. Whether these are going to become commonplace through the spring and summer remains to be seen. But with crude postings of $15 bbl. and reports of $13 bbl. in New York harbor and overseas, it promises to be a wild marketplace this summer.

(Continued on Page 28.)

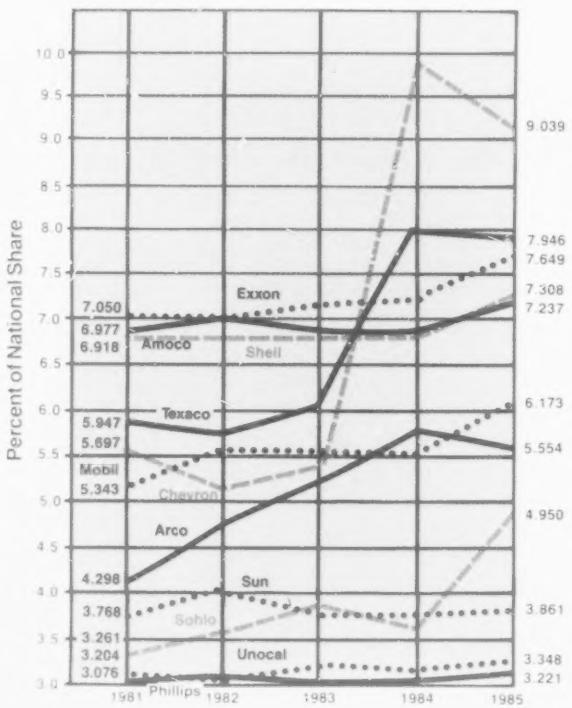
Retail Market Shares, Continued...

THE BIG PICTURE

In Billions of Gallons . . .



. . . and by Market Shares



The Gasoline Market: By Gross Gallonage and Relative Shares for the Top Companies

1985 Volume 108,032,538,600 gal. (a)
1984 Volume 106,331,239,000 gal. (b)

Company	Rank 1985	Rank 1984	% Share of Natl. Mkt 1985	% Share of Natl. Mkt 1984	Volume (Add 000 gal.) 1985	Volume (Add 000 gal.) 1984	% Change 1985 1984	% Change 1984 1983
Chevron (c)	1	1	9.039	9.732	9,765,210	10,347,750	(5.6%)	82.4%
Texaco (d)	2	2	7.946	8.146	8,584,800	8,661,450	(0.09)	34.2
Exxon	3	3	7.649	7.410	8,262,870	7,879,620	4.9	1.8
Shell	4	5	7.308	6.877	7,894,950	7,312,410	8.0	2.6
Amoco	5	4	7.237	6.958	7,818,300	7,373,730	6.0	2.6
Mobil	6	7	6.173	5.565	6,668,360	5,917,380	12.7	—
Arco (e)	7	6	5.564	5.781	6,200,000	6,147,330	(2.4)	8.7
Sohio (f)	8	9	4.950	3.705	5,347,154	3,939,810	35.7	(3.7)
Sun	9	8	3.861	3.878	4,171,293	4,123,770	1.2	2.3
Unocal	10	10	3.448	3.345	3,725,140	3,556,560	4.7	2.3
Phillips	11	11	3.221	3.143	3,479,910	3,341,940	4.1	2.8
Total			66.38 %	64.15 %	71,718,127	68,601,750	4.5%	10.0%

(a) Estimated on the basis of data in Highway Statistics and the 1984 consumption data for motor fuels.
(b) Federal Highway Administration's consumption data for 1984.
(c) Chevron in 1984 reflects the addition of the Gulf merger percentage (not public when Chevron filed its report) to Chevron's 1984 volume (as reported by Gulf).
(d) Texaco in 1984 reflects the addition of Getty's 1% (or approximately 1 bil. gals.) to the pro forma reported 1984 volume (as reported by Texaco).
(e) Arco began a major market withdrawal in 1985 and the company began a reinvestment program. Arco's volume for 1985 was down about 30% primarily because of the withdrawal. Income is believed to have risen slightly.
(f) Sohio's 1985 volume reflects the addition of its acquisition of the Cheyenne Gulf assets in the Southeast.

Sources: Federal Highway Administration tables and company annual reports which provide data on gasoline sales through the motor fuel. Most of the gasoline companies report sales, although some companies note that other products (i.e., naphtha and avgas) may be included in the gasoline totals.

Jobbers, Dealers Stake Overcharge Cash

Jobbers and dealers at press time appeared to be on the verge of winning a stunning victory by staking claim to some $118 million in crude oil overcharge money.

A tentative deal was being worked out which would decide how a pot, expected to reach more than $4 billion, would be distributed. Under the plan, retailers and wholesalers will evenly split $118 million.

Washington attorneys Robert Bassman and Douglas Mitchell, who have represented oil marketers during arduous negotiations over the last several years, said individual settlements could range from between $3,000 to $40,000, depending on damage suffered during overcharge years.

Under the tentative agreement, the states and federal government would split about $3.5 billion of the pot of more than $4 billion. The remaining money would be divvied up among refiners ($300 million), jobbers and dealers ($118 million), farm cooperatives ($46 million), airlines ($39 million), surface transporters ($10 million) and utility ($8 million).

The deal would settle stripper well and other crude oil overcharge cases from 1973 until oil was decontrolled in 1981. The stripper well case is currently pending before Judge Frank Theis III at Kansas federal district court. Theis will have the final say on whether the pact is approved and how the $4 billion is distributed.

Theis had not seen the tentative settlement at press time, but Bassman and Mitchell were cautiously optimistic the judge would approve the plan, and that refunds could be in the pockets of jobbers and dealers within a year.

The lawyers, who represent the Petroleum Marketers Assn. of America on all oil overcharge cases, said they expect numerous appeals to be filed by parties interested in obtaining a piece of the $4 billion settlement.

Congress may also throw up a roadblock. Rep. John Dingell (D-Mich.), powerful chairman of the House Energy and Commerce Committee, is protesting the provision which provides refunds to the same refiners who were responsible for the overcharges.

Bassman and Mitchell stressed the tentative settlement involves crude overcharges and not overcharges for refined product such as gasoline. Jobbers and dealers will continue to qualify for refined product overcharge refunds. *NPN*

Refinery Closings Slow, Net Loss 'Insignificant'

Refinery losses in 1985 were minimal, with 11 shutdowns and six new or reactivated units coming on stream for a net loss of five, according to Energy Information Administration. All but one of the shutdowns were in the so-called "tea kettle" refinery category.

The 11 shutdowns aggregated 186,826 b/d of crude distillation capacity, while those coming on stream aggregated 130,000 b/d. The net loss then was 56,000 b/d, an insignificant amount in light of the millions of b/d that have been lopped off in recent years.

The federal agency said the U.S. refinery population on Jan. 1 of this year was 223 operable units with an aggregate crude oil distillation capacity of 15.7 million b/d, virtually the same as it was on New Year's Day of 1984.

Since Jan. 1, 1981, when the reversal began, crude oil refining capacity has been reduced approximately 3 million b/d and the total number of refineries has been cut back from 324 units to 223 units currently.

Here's the listing of 1985 shutdowns and startups:

Refinery Closings

Refiner	Location	Crude Oil Distillation Capacity (B CD)	Downstream Capacity (B SD)	Operating History
	Refinery Closings Since Jan 1, 1985			Years in Operation
Allied Materials Corp.	Stroud, Okla.	7,600	2,500	37+
B-T Energy Corp.	Louisville, Ky.	3,000	0	3
Coastal Petroleum Refiners	Bakersfield, Calif.	10,000	0	6
Damson Gas Processing Corp.	White Deer, Texas	0	1,000	12
Flint Chemical Co.	San Antonio, Texas	1,500	0	23
Gary Refining Corp.	Fruita, Colo.	15,200	18,100	19
Golden Eagle Refinery Co.	Carson, Calif.	16,170	0	37+
International Processors	St. Rose, La.	28,356	14,000	6
Texaco Refining & Marketing	Amarillo, Texas	20,000	24,400	37+
Texaco Refining & Marketing	Lawrenceville, Ill.	79,000	134,000	37+
Vicksburg Refining	Vicksburg, Miss.	6,000	0	7
Total		186,826	194,000	
	New and Reactivated Refineries Since Jan 1, 1985			Status
Atlantic Richfield Co.	Kuparuk River, Alaska	12,000	0	N
Barrett Refinery Corp.	Thomas, Okla.	11,600	0	R
Hill Petroleum Co.	Krotz Springs, La.	57,400	62,000	R
Primary Oil & Energy Corp.	Chester, Va.	2,000	0	N
Seminole Refinery Corp.	St. Marks, Fla.	17,000	10,115	R
Trifinery	Corpus Christi, Texas	30,000	30,000	R
Total		130,000	102,115	

Source: Energy Information Administration, Petroleum Supply Monthly, November 1985. Published January 1986.